

~~REF ID: A6525~~~~CONFIDENTIAL~~

8/11/1955

MEMORANDUM FOR : Director of Personnel

SUBJECT : Contractual and Financial Servicing of Agents

REFERENCE : Memorandum dated 17 October 1955 from Chief Instructor, Special Clandestine Services Orientation, to Chief, Operations School, Subject: Final Course Report, Special Clandestine Services Orientation No. 3, 29 August - 9 September 1955 (EO-8787 DDS 55-2641)

1. The reference memorandum (by [redacted]) cites problems of support of operations which were discussed in the Special Clandestine Services Orientation No. 3. Paragraph 4 of that memorandum is quoted, as follows:

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"The question was also raised as to whether SCAPS is a tool or an obstacle to operations. The General Counsel explained that he had fathered the idea with the object of protecting a) the DCI in his wide powers of expenditure of monies, and b) the Agency against any comeback from agents (and by the same token to protect the interests of the agents). The CS representative affirmed that the principle was sound and that there was a fundamental need for getting down on paper the nature of the relationship between the case officer and the agent. He cautioned, however, against over-laboring this tool procedure-wise, as there were many agents with whom we would not want a written contract. In such cases, it should suffice to have a memorandum in lieu of contract. On the other hand, for contract and principal agent types he agreed that it is essential to have a written understanding."

2. While the affirmative answer given to the General Counsel's question by the CS representative appears to have adequately explained the usefulness of the special contracting procedure, it may be desirable at this time to review the various aspects of the overall problem on agent servicing. Some of the

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past problems in connection with agent servicing have been:

- a. Case officers have experienced delays in obtaining the required reviews and approvals of agent contracts.
- b. Agents have departed for the field before their contracts were authenticated. (No evidence of recent experience of this nature.)
- c. Agents have departed for the field before acceptable methods of accomplishing payments have been established. In some instances it has been necessary to contact the agent in the field to ascertain the bank in which deposits to his account can be made.
- d. In some instances field stations which were the support and contact point of the agent have been unable to obtain a copy of his contract for lengthy periods of time during which the status of his finances and bank account were unknown to the agent or to the station.
- e. Arrangements have been made to "stagger" deposits to the agent's bank account in the interests of security, but without the advance knowledge of the agent or his field station contact.
- f. Agents have found it necessary to write checks to meet living expenses before knowing the amount or date of deposits which should be deposited to his stateside bank account.
- g. There have been lengthy delays in the submission of duty status reports required for periodic payment of agents. In some cases further delay has been encountered in the Branch or Division concerned while data received from the field is recorded in another form for submission to Finance.
- h. Agent accounts have been allowed to become delinquent with serious results, detrimental to the agent and the Agency.
- i. Difficulty and delay have been experienced in effecting amendments to agent contracts to reflect changed conditions regarding allowances and benefits.

3. Many other problems of this general nature have been experienced. In an effort to correct the problems various reviews, controls and points of action

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have been established and in some instances the problem may have been eliminated. However, it is believed that a real problem still exists (less serious than that which existed in 1951-52) with regard to the financial servicing of agents. The term "financial servicing" is intended to include the operational approval of projects as related to the approved use of individuals as agents; the initiation of contract checklists; the initiation, review, approval, and authentication of contracts (or memoranda in lieu of contracts); the initiation, review and approval of duty status reports required for periodic payments; the computation and payment (usually by bank deposit) of monies due the agent; the termination and final settlement of contracts; and the review, approval and processing of special vouchers and claims by or on behalf of the agent involving emoluments or benefits which may not have been set forth in the original contract.

4. Experience over the past twelve years, during which time various methods of servicing agents have been employed by this and predecessor organizations, seems to prove conclusively that it is in the interests of operations and the Agency as a whole to have a central (Agency-wide) servicing point for each of two aspects of the financial servicing of agents; one is the point of documentation, authentication and repository of employment (use) records; the other is the point of fiscal computation, payment and maintenance of related records.

5. Except as otherwise dictated by operational requirements, the control and other servicing of agent contracts and accounts is delegable to operational units at all levels throughout the Agency. If need be, the central servicing points can generally take action and maintain records without identification of the agent; exceptions may include deposits in real name bank accounts from the central servicing point and the processing of documents to other agencies with regard to special benefits, etc.

6. Recognizing the probability that errors and delays may still occur in the two central servicing units (Personnel and Finance), and without any intent to cast blame elsewhere--there may be no blame except the system being followed--it is nevertheless believed the basic problem of the contractual and financial servicing of agents lies with the case officer and the mechanism for operational review and approval. There is no apparent reason why the central servicing points should not perform their functions accurately and without delay, since their duty is primarily the physical act of record keeping and paying, and ascertaining that the action is in accordance with Agency regulations, which is usually the case. It is not the intent here to discuss the few disputed cases which can be resolved quickly by referral to higher authority. The basic decisions regarding the use of an agent and his income level have been made by operations before reaching the central servicing points.

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7. If the Special Contracting Officer receives the data necessary for the preparation of a contract and if he has sufficient personnel to take care of the volume of business there should be no delay in executing the contract and forwarding copies as prescribed, provided, of course, there is no delay in obtaining any required security or medical clearances. In this case there is no immediate foreseeable problem with the workload. Experienced case officers apparently have no difficulty in preparing the data necessary for a contract - data which is required and prescribed by or with the approval of DD/P, therefore there appears to be no reason for delay or incomplete action at this point and if it exists this problem should and can be corrected promptly.

8. Based upon experience of several years ago there is potentially a more serious problem in connection with the workload involved in the payment of agents. This problem is related to the security of such payments which may require personal servicing of bank accounts by cash deposits. It is believed this problem could be alleviated if the operational component concerned would prohibit such deposits except in cases where the bank account is required operationally to allow the agent to show a source of funds, and in cases where the agent cannot be paid in cash by his operational contact. There would remain a major servicing and record keeping job. However, if Finance has sufficient personnel for the purpose, and if the contract (containing a realistic payment provision) and duty status report, required and prescribed by or with the approval of DD/P, are received on a timely basis, there is no reason for delay or incomplete action at this point.

9. The "data necessary for the preparation of a contract" by the Special Contracting Officer, and the "contract (containing a realistic payment provision) and duty status report" necessary for payment by Finance, referred to above, understandably may be a major symptom of the agent servicing problem in the view of the case officers and others who are frustrated in their attempts to obtain expeditious and complete action on behalf of their agents. If so, it is probable this is the basis for many informal complaints against "administration" or "support" regarding "bottlenecks" and "control." Such feeling could serve only to obscure and compound the basic problem, since the same data and documentation would be necessary at any central servicing point without regard to its organizational location.

10. It is firmly believed the successful servicing of covert agents must be accomplished on an individual case basis, and, further, that the responsibility for such servicing must be with the case officer. The Special Contracting Officer, Finance, the Area Division Administrative Staff, the Senior Staff Contract Approving Officer, and others, may perform a service in this regard but the

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case officer should see that each performs a complete service on a timely and accurate basis. Any failure, whether in operations or support, should be made known to appropriate officials without delay. If the case officer is not in a position to perform in this manner, or if certain of the functions of servicing an agent have been delegated to others without provision for continuing personal review by the case officer, it would seem that excessive difficulties might be expected in such cases.

11. In January 1955 the charge of deficiencies in the servicing of agents was discussed with Finance, Personnel, and one of the Area Divisions, on behalf of several foreign stations. In general, each could show evidence of timely action, within the limitation of their defined responsibility. Some duplication was identified and eliminated; however, the overall result was negative since the agents, in some cases, still were not receiving adequate service and were not receiving the proper amount of payments at the proper time. This seeming timely action on the part of individual units with inadequate overall results emphasizes the need for case officer direction described above. In some instances the case officer seemed reluctant to pinpoint delays and problems within his Division, or at higher echelons in operations, and was resigned to acceptance of the existing situation and expression of general dissatisfaction with the action of units outside his chain of command. This is not intended as criticism but is mentioned to emphasize that if efforts at overall improvement are to be successful, an objective study must be made of the action and responsibility at all levels.

12. The above information has been submitted from memory and may not reflect improvements of recent date. It is recommended this memorandum be submitted to the Finance Division for comment. Following this it is recommended a revised paper be submitted to one or more of the Area Divisions for comment (with DD/P approval). If, after receipt of comments from the Area Divisions, further action is warranted, it is recommended the matter be discussed with the DD/P with a view toward initiating an objective survey of the entire agent servicing function from initiation of a project or operational approval to use an agent, to termination of the contract and settlement of accounts. As indicated in paragraph 11, above, it is believed a single office approach would not serve the purpose. Instead, it is believed a survey of this matter should be undertaken from the standpoint of the agent and the case officer.



Deputy Director of Personnel

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